

TOWNSHIP OF WEST BRANCH
Dickinson County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2008

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

| | | | |
|------------------------------------|--|---------------------------|--------------------|
| Unit Name* TOWNSHIP OF WEST BRANCH | County* DICKINSON | Type* TOWNSHIP | MuniCode* 22-1-070 |
| Opinion Date-Use Calendar* 12-2-08 | Audit Submitted-Use Calendar* 12-30-08 | Fiscal Year End Month* 06 | Fiscal Year* 2008 |

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

- 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
- 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
- 5. Did the local unit adopt a budget for all required funds?
- 6. Was a public hearing on the budget held in accordance with State statute?
- 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
- 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
- 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- 12. Is the local unit free of repeated reported deficiencies from previous years?
- 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? _____
- 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
- 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
- 18. Are there reported deficiencies? 19. If so, was it attached to the audit report?

| | |
|----------------------------|---------------------------------------|
| General Fund Revenue: | <input type="checkbox"/> \$ 73,260.11 |
| General Fund Expenditure: | <input type="checkbox"/> \$ 78,363.62 |
| Major Fund Deficit Amount: | \$ 0.00 |

| | |
|--|---------------------------------------|
| General Fund Balance: | <input type="checkbox"/> \$ 37,251.04 |
| Governmental Activities Long-Term Debt (see instructions): | \$ 0.00 |

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

| | | | | |
|---|------------------------------------|--------------------------------------|-------------------|------------------------------|
| CPA (First Name)* MARK | Last Name* CAMPBELL | Ten Digit License Number* 1101007803 | | |
| CPA Street Address* 512 N. LINCOLN, STE 100 | City* BAY CITY | State* MI | Zip Code* 48708 | Telephone* +1 (989) 894-1040 |
| CPA Firm Name* CAMPBELL, KUSTERER | Unit's Street Address* P.O. BOX 11 | Unit's City* RALPH | Unit's Zip* 49877 | |

TOWNSHIP OF WEST BRANCH
Dickinson County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

December 2, 2008

To the Township Board
Township of West Branch
Dickinson County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of West Branch, Dickinson County, Michigan as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of West Branch's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of West Branch, Dickinson County, Michigan as of June 30, 2008, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF WEST BRANCH
Dickinson County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2008

This section of the Township of West Branch's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended June 30, 2008. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at June 30, 2008, totaled \$96,725.73 for governmental activities. Of this total \$50,422.81 represents capital assets net of depreciation. Overall net assets decreased by \$2,511.88 from the prior year.

Overall revenues were \$75,051.92.

We did not incur any new debt during the year.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. These include the General and Special Revenue Funds which are the Liquor Fund, Budget Stabilization Fund, Revolving Improvement Fund and Road Improvement Fund.

TOWNSHIP OF WEST BRANCH
Dickinson County, Michigan
CONDENSED FINANCIAL INFORMATION
For the year ended June 30, 2008

| | <u>Total</u> Governmental Activities 2007 | <u>Total</u> Governmental Activities 2008 |
|----------------------------|--|--|
| Current Assets | 50 562 00 | 46 303 00 |
| Capital Assets | <u>48 986 00</u> | <u>50 423 00</u> |
| Total Assets | <u>99 548 00</u> | <u>96 726 00</u> |
| Current Liabilities | <u>310 00</u> | <u>-</u> |
| Total Liabilities | <u>310 00</u> | <u>-</u> |
| Net Assets: | | |
| Invested in Capital Assets | 48 986 00 | 50 423 00 |
| Unrestricted | <u>50 252 00</u> | <u>46 303 00</u> |
| Total Net Assets | <u>99 238 00</u> | <u>96 726 00</u> |

| | <u>Total</u> Governmental Activities 2007 | <u>Total</u> Governmental Activities 2008 |
|-------------------------------|--|--|
| Program Revenues: | | |
| Fees and Charges for Services | 2 345 00 | 2 348 00 |
| General Revenues: | | |
| Property Taxes | 13 119 00 | 16 088 00 |
| Other Taxes | 49 138 00 | 48 848 00 |
| State Revenue Sharing | 8 288 00 | 6 245 00 |
| Interest | 1 033 00 | 818 00 |
| Miscellaneous | <u>215 00</u> | <u>705 00</u> |
| Total Revenues | <u>74 138 00</u> | <u>75 052 00</u> |
| Program Expenses: | | |
| Legislative | 2 708 00 | 5 083 00 |
| General Government | 45 494 00 | 46 735 00 |
| Public Safety | 8 719 00 | 11 949 00 |
| Public Works | 6 642 00 | 6 079 00 |
| Recreation and Culture | 100 00 | 201 00 |
| Other | <u>6 214 00</u> | <u>7 517 00</u> |
| Total Expenses | <u>69 877 00</u> | <u>77 564 00</u> |
| Increase in Net Assets | 4 261 00 | (2 512 00) |
| Net Assets, July 1 | <u>94 977 00</u> | <u>99 238 00</u> |
| Net Assets, June 30 | <u>99 238 00</u> | <u>96 726 00</u> |

TOWNSHIP OF WEST BRANCH
Dickinson County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: All of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. The Township's governmental funds include: General Fund, Liquor Fund, Budget Stabilization Fund, Revolving Improvement Fund and Road Improvement Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets: The Township's combined net assets decreased \$2,511.88 during the year ended June 30, 2008, totaling \$96,725.73.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

General Fund: This fund is used to record all activities of the Township not required to be recorded in a separate fund. This would include parks, zoning, legislative, administrative, elections, and Township hall. The major source of revenue for the General Fund is from the Township tax base and the revenue sharing from the State of Michigan.

Liquor Fund: This fund is used to record revenues and expenses for liquor control. The source of revenue comes from revenue sharing from the State of Michigan.

Revolving Improvement Fund: This fund is used to record revenues and expenses for capital improvements within the Township.

Road Improvement Fund: This fund is used to record revenues and expenses for road construction and maintenance of streets. The source of revenue comes from revenue sharing from the State of Michigan.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets: Additions to Township capital assets for this year totaled \$5,074.24.

The Township does not have any long-term debt at this time.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

There are currently no plans for the future which will affect future operations.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Supervisor, Clerk or Treasurer.

TOWNSHIP OF WEST BRANCH
Dickinson County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2008

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS: | |
| CURRENT ASSETS: | |
| Cash in bank | <u>46 302 92</u> |
| Total Current Assets | <u>46 302 92</u> |
| NON-CURRENT ASSETS: | |
| Capital Assets | 148 771 24 |
| Less: Accumulated Depreciation | <u>(98 348 43)</u> |
| Total Non-current Assets | <u>50 422 81</u> |
| TOTAL ASSETS | <u><u>96 725 73</u></u> |
| LIABILITIES AND NET ASSETS: | |
| LIABILITIES: | |
| CURRENT LIABILITIES | <u>-</u> |
| Total Current Liabilities | <u>-</u> |
| NON- CURRENT LIABILITIES | <u>-</u> |
| Total Non-current Liabilities | <u>-</u> |
| Total Liabilities | <u>-</u> |
| NET ASSETS: | |
| Invested in Capital Assets, Net of Related Debt | 50 422 81 |
| Unrestricted | <u>46 302 92</u> |
| Total Net Assets | <u>96 725 73</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>96 725 73</u></u> |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WEST BRANCH
Dickinson County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended June 30, 2008

| | <u>Expenses</u> | <u>Program Revenue</u> | <u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u> |
|--------------------------------------|-------------------------|---------------------------------|--|
| | | <u>Charges for Services</u> | |
| FUNCTIONS/PROGRAMS | | | |
| Governmental Activities: | | | |
| Legislative | 5 083 47 | - | (5 083 47) |
| General government | 46 734 87 | 2 347 50 | (44 387 37) |
| Public safety | 11 948 59 | - | (11 948 59) |
| Public works | 6 078 57 | - | (6 078 57) |
| Culture and recreation | 201 49 | - | (201 49) |
| Other | <u>7 516 81</u> | <u>-</u> | <u>(7 516 81)</u> |
| Total Governmental Activities | <u><u>77 563 80</u></u> | <u><u>2 347 50</u></u> | <u><u>(75 216 30)</u></u> |
| General Revenues: | | | |
| Property taxes | | | 16 088 38 |
| Other taxes | | | 48 848 08 |
| State revenue sharing | | | 6 245 19 |
| Interest | | | 817 64 |
| Miscellaneous | | | <u>705 13</u> |
| Total General Revenues | | | <u><u>72 704 42</u></u> |
| Change in net assets | | | (2 511 88) |
| Net assets, beginning of year | | | <u>99 237 61</u> |
| Net Assets, End of Year | | | <u><u>96 725 73</u></u> |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WEST BRANCH
Dickinson County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2008

| | <u>General</u> | <u>Road Improvement</u> | <u>Other Funds</u> | <u>Total</u> |
|--|------------------|-----------------------------|------------------------|------------------|
| <u>Assets</u> | | | | |
| Cash in bank | 37 194 78 | 7 130 49 | 1 921 39 | 46 246 66 |
| Due from other funds | 56 26 | - | - | 56 26 |
| Total Assets | 37 251 04 | 7 130 49 | 1 921 39 | 46 302 92 |
| <u>Liabilities and Fund Equity</u> | | | | |
| Liabilities | - | - | - | - |
| Total liabilities | - | - | - | - |
| Fund equity: | | | | |
| Fund balances: | | | | |
| Unreserved: | | | | |
| Undesignated | 37 251 04 | 7 130 49 | 1 921 39 | 46 302 92 |
| Total fund equity | 37 251 04 | 7 130 49 | 1 921 39 | 46 302 92 |
| Total Liabilities and Fund Equity | 37 251 04 | 7 130 49 | 1 921 39 | 46 302 92 |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WEST BRANCH
Dickinson County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

June 30, 2008

| | |
|--|-------------------------|
| TOTAL FUND BALANCES – GOVERNMENTAL FUNDS | 46 302 92 |
| Amounts reported for governmental activities in the statement of net assets are different because – | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet: | |
| Capital assets at cost | 148 771 24 |
| Accumulated depreciation | <u>(98 348 43)</u> |
| TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES | <u><u>96 725 73</u></u> |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WEST BRANCH
Dickinson County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended June 30, 2008

| | General | Road Improvement | Other Funds | Total |
|--|------------|---------------------|----------------|------------|
| Revenues: | | | | |
| Property taxes | 16 088 38 | - | - | 16 088 38 |
| Other taxes | 48 848 08 | - | - | 48 848 08 |
| State revenue sharing | 4 582 00 | 1 663 19 | - | 6 245 19 |
| Charges for services | 2 347 50 | - | - | 2 347 50 |
| Interest | 589 02 | 128 62 | - | 817 64 |
| Miscellaneous | 705 13 | - | - | 705 13 |
| Total revenues | 73 260 11 | 1 791 81 | - | 75 051 92 |
| Expenditures: | | | | |
| Legislative: | | | | |
| Township Board | 5 083 47 | - | - | 5 083 47 |
| General government: | | | | |
| Supervisor | 5 529 99 | - | - | 5 529 99 |
| Elections | 601 33 | - | - | 601 33 |
| Assessor | 11 877 30 | - | - | 11 877 30 |
| Clerk | 5 830 70 | - | - | 5 830 70 |
| Board of Review | 665 01 | - | - | 665 01 |
| Treasurer | 8 278 34 | - | - | 8 278 34 |
| Building and grounds | 12 886 80 | - | - | 12 886 80 |
| Public safety: | | | | |
| Liquor control | - | - | 637 07 | 637 07 |
| Fire protection | 5 302 82 | - | - | 5 302 82 |
| Ambulance | 3 979 90 | - | - | 3 979 90 |
| Planning and zoning | 275 00 | - | - | 275 00 |
| Public works: | | | | |
| Sanitation | 5 461 91 | - | - | 5 461 91 |
| Other: | | | | |
| Insurance | 5 476 00 | - | - | 5 476 00 |
| Payroll taxes | 2 040 81 | - | - | 2 040 81 |
| Capital outlay | 5 074 24 | - | - | 5 074 24 |
| Total expenditures | 78 363 62 | - | 637 07 | 79 000 69 |
| Excess (deficiency) of revenues over expenditures | (5 103 51) | 1 791 81 | (637 07) | (3 948 77) |
| Other financing sources (uses): | | | | |
| Operating transfers in | - | - | 600 00 | 600 00 |
| Operating transfers out | (600 00) | - | - | (600 00) |
| Total other financing sources (uses) | (600 00) | - | 600 00 | - |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | (5 703 51) | 1 791 81 | (37 07) | (3 948 77) |
| Fund balances, July 1 | 42 954 55 | 5 338 68 | 1 958 46 | 50 251 69 |
| Fund Balances, June 30 | 37 251 04 | 7 130 49 | 1 921 39 | 46 302 92 |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WEST BRANCH
Dickinson County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (3 948 77)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

| | |
|----------------------|-----------------|
| Depreciation Expense | (3 637 35) |
| Capital Outlay | <u>5 074 24</u> |

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (2 511 88)

TOWNSHIP OF WEST BRANCH
Dickinson County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of West Branch, Dickinson County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of West Branch. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF WEST BRANCH
Dickinson County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Agency Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2007 tax roll millage rate was 1.827 mills, and the taxable value was \$7,578,578.00.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$2,500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

| | |
|----------------------------|-------------|
| Buildings and improvements | 30-50 years |
| Equipment and vehicles | 5-20 years |

TOWNSHIP OF WEST BRANCH
Dickinson County, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF WEST BRANCH
Dickinson County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

| | <u>Carrying Amounts</u> |
|----------------|-----------------------------|
| Total Deposits | <u>46 302 92</u> |

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

| | <u>Bank Balances</u> |
|--------------------------------|--------------------------|
| Insured (FDIC) | 42 913 21 |
| Uninsured and Uncollateralized | <u>-</u> |
| Total Deposits | <u>42 913 21</u> |

The Township of West Branch did not have any investments as of June 30, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

TOWNSHIP OF WEST BRANCH
Dickinson County, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 3 – Deposits and Investments (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

| | <u>Balance 7/1/07</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 6/30/08</u> |
|----------------------------|---------------------------|------------------------|------------------|----------------------------|
| Land and improvements | 8 000 00 | - | - | 8 000 00 |
| Buildings and improvements | 88 190 00 | 5 074 24 | - | 93 264 24 |
| Equipment and vehicles | <u>47 507 00</u> | - | - | <u>47 507 00</u> |
| Total | 143 697 00 | 5 074 24 | - | 148 771 24 |
| Accumulated Depreciation | <u>(94 711 08)</u> | <u>(3 637 35)</u> | - | <u>(98 348 43)</u> |
| Net Capital Assets | <u><u>48 985 92</u></u> | <u><u>1 436 89</u></u> | <u><u>-</u></u> | <u><u>50 422 81</u></u> |

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Interfund Receivables and Payables

| <u>Fund</u> | <u>Interfund Receivable</u> | <u>Fund</u> | <u>Interfund Payable</u> |
|-------------|---------------------------------|------------------------|------------------------------|
| General | <u><u>56 26</u></u> | Current Tax Collection | <u><u>56 26</u></u> |

TOWNSHIP OF WEST BRANCH
Dickinson County, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 9 – Transfers In and Transfers Out

For the fiscal year ended June 30, 2008, the Township made the following interfund transfers:

| <u>Fund</u> | <u>Transfers In</u> | <u>Fund</u> | <u>Transfers Out</u> |
|-------------|----------------------|-------------|----------------------|
| Liquor | <u>600 00</u> | General | <u>600 00</u> |
| Total | <u><u>600 00</u></u> | Total | <u><u>600 00</u></u> |

Note 10 – Building Permits

The Township of West Branch does not issue building permits. Building permits are issued by Dickinson County Construction Code Commission.

Note 11 – Budget Variances

During the fiscal year ended June 30, 2008, Township expenditures exceeded budgeted amounts in two activities as follows:

| <u>Activity</u> | <u>Final Budget</u> | <u>Total Expenditures</u> | <u>Excess Expenditures</u> |
|----------------------|-------------------------|-------------------------------|--------------------------------|
| General Fund: | | | |
| Supervisor | 5 500 00 | 5 529 99 | 29 99 |
| Elections | 600 00 | 601 33 | 1 33 |
| Clerk | 5 750 00 | 5 830 70 | 80 70 |
| Board of Review | 650 00 | 665 01 | 15 01 |
| Building and grounds | 12 100 00 | 12 886 80 | 786 80 |
| Ambulance | 1 450 00 | 3 979 90 | 2 529 90 |
| Sanitation | 5 000 00 | 5 461 91 | 461 91 |
| Insurance | 4 200 00 | 5 476 00 | 1 276 00 |
| Transfers out | 300 00 | 600 00 | 300 00 |

TOWNSHIP OF WEST BRANCH
Dickinson County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended June 30, 2008

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Over (Under)</u> |
|---|----------------------------|-------------------------|-------------------------|--|
| Revenues: | | | | |
| Property taxes | 10 000 00 | 10 000 00 | 16 088 38 | 6 088 38 |
| Other taxes | 48 673 00 | 48 673 00 | 48 848 08 | 175 08 |
| State revenue sharing | 4 500 00 | 4 500 00 | 4 582 00 | 82 00 |
| Charges for services | 2 300 00 | 2 300 00 | 2 347 50 | 47 50 |
| Interest | 500 00 | 500 00 | 689 02 | 189 02 |
| Miscellaneous | <u>225 00</u> | <u>845 00</u> | <u>705 13</u> | <u>(139 87)</u> |
| Total revenues | <u>66 198 00</u> | <u>66 818 00</u> | <u>73 260 11</u> | <u>6 442 11</u> |
| Expenditures: | | | | |
| Legislative: | | | | |
| Township Board | 5 600 00 | 5 600 00 | 5 083 47 | (516 53) |
| General government: | | | | |
| Supervisor | 5 500 00 | 5 500 00 | 5 529 99 | 29 99 |
| Elections | - | 600 00 | 601 33 | 1 33 |
| Assessor | 14 000 00 | 13 000 00 | 11 877 30 | (1 122 70) |
| Clerk | 5 750 00 | 5 750 00 | 5 830 70 | 80 70 |
| Board of Review | 650 00 | 650 00 | 665 01 | 15 01 |
| Treasurer | 8 500 00 | 8 500 00 | 8 278 34 | (221 66) |
| Building and grounds | 12 700 00 | 12 100 00 | 12 886 80 | 786 80 |
| Public safety: | | | | |
| Fire protection | 5 000 00 | 6 000 00 | 5 302 82 | (697 18) |
| Ambulance | 1 450 00 | 1 450 00 | 3 979 90 | 2 529 90 |
| Planning and zoning | 500 00 | 500 00 | 275 00 | (225 00) |
| Public works: | | | | |
| Sanitation | 5 000 00 | 5 000 00 | 5 461 91 | 461 91 |
| Other: | | | | |
| Insurance | 4 200 00 | 4 200 00 | 5 476 00 | 1 276 00 |
| Payroll taxes | 2 200 00 | 2 200 00 | 2 040 81 | (159 19) |
| Capital outlay | <u>5 500 00</u> | <u>5 500 00</u> | <u>5 074 24</u> | <u>(425 76)</u> |
| Total expenditures | <u>76 550 00</u> | <u>76 550 00</u> | <u>78 363 62</u> | <u>1 813 62</u> |
| Excess (deficiency) of revenues over expenditures | <u>(10 352 00)</u> | <u>(9 732 00)</u> | <u>(5 103 51)</u> | <u>4 628 49</u> |
| Other financing sources (uses) | | | | |
| Operating transfers out | <u>(300 00)</u> | <u>(300 00)</u> | <u>(600 00)</u> | <u>(300 00)</u> |
| Total other financing sources (uses) | <u>(300 00)</u> | <u>(300 00)</u> | <u>(600 00)</u> | <u>(300 00)</u> |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | <u>(10 652 00)</u> | <u>(10 032 00)</u> | <u>(5 703 51)</u> | <u>4 328 49</u> |
| Fund balance, July 1 | <u>43 672 91</u> | <u>43 672 91</u> | <u>42 954 55</u> | <u>(718 36)</u> |
| Fund Balance, June 30 | <u><u>33 020 91</u></u> | <u><u>33 640 91</u></u> | <u><u>37 251 04</u></u> | <u><u>3 610 13</u></u> |

TOWNSHIP OF WEST BRANCH
Dickinson County, Michigan

BUDGETARY COMPARISON SCHEDULE – ROAD IMPROVEMENT FUND
Year ended June 30, 2008

| | Original Budget | Final Budget | Actual | Variance with Final Budget Over (Under) |
|--|--------------------|-----------------|----------|--|
| Revenues: | | | | |
| State revenue sharing | 1 600 00 | 1 600 00 | 1 663 19 | 63 19 |
| Interest | - | - | 128 62 | 128 62 |
| Total revenues | 1 600 00 | 1 600 00 | 1 791 81 | 191 81 |
| Expenditures: | | | | |
| Public works: | | | | |
| Highways and streets | - | - | - | - |
| Total expenditures | - | - | - | - |
| Excess (deficiency) of revenues over expenditures | 1 600 00 | 1 600 00 | 1 791 81 | 191 81 |
| Fund balance, July 1 | 5 319 92 | 5 319 92 | 5 338 68 | 18 76 |
| Fund Balance, June 30 | 6 919 92 | 6 919 92 | 7 130 49 | 210 57 |

TOWNSHIP OF WEST BRANCH
Dickinson County, Michigan

COMBINING BALANCE SHEET – ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2008

| | Liquor | Budget Stabilization | Revolving Improvement | Total |
|--------------------------------------|--------|-------------------------|--------------------------|----------|
| <u>Assets</u> | | | | |
| Cash in bank | 53 65 | 88 03 | 1 779 71 | 1 921 39 |
| Total Assets | 53 65 | 88 03 | 1 779 71 | 1 921 39 |
| <u>Liabilities and Fund Balances</u> | | | | |
| Liabilities | - | - | - | - |
| Fund balances: | | | | |
| Unreserved: | | | | |
| Undesignated | 53 65 | 88 03 | 1 779 71 | 1 921 39 |
| Total Liabilities and Fund Balances | 53 65 | 88 03 | 1 779 71 | 1 921 39 |

TOWNSHIP OF WEST BRANCH
Dickinson County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL NONMAJOR GOVERNMENTAL FUNDS

Year ended June 30, 2008

| | <u>Liquor</u> | <u>Budget Stabilization</u> | <u>Revolving Improvement</u> | <u>Total</u> |
|--|---------------|---------------------------------|----------------------------------|--------------|
| Revenues | - | - | - | - |
| Total revenues | - | - | - | - |
| Expenditures: | | | | |
| Liquor control | 637 07 | - | - | 637 07 |
| Total expenditures | 637 07 | - | - | 637 07 |
| Excess (deficiency) of revenues over expenditures | (637 07) | - | - | (637 07) |
| Other financing sources (uses): | | | | |
| Operating transfers in | 600 00 | - | - | 600 00 |
| Total other financing sources (uses) | 600 00 | - | - | 600 00 |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | (37 07) | - | - | (37 07) |
| Fund balances, July 1 | 90 72 | 88 03 | 1 779 71 | 1 958 46 |
| Fund Balances, June 30 | 53 65 | 88 03 | 1 779 71 | 1 921 39 |

TOWNSHIP OF WEST BRANCH
Dickinson County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended June 30, 2008

| | <u>Balance 7/1/07</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance 6/30/08</u> |
|--------------------|---------------------------|-------------------|-------------------|----------------------------|
| <u>Assets</u> | | | | |
| Cash in Bank | <u>16 82</u> | <u>297 758 05</u> | <u>297 718 61</u> | <u>56 26</u> |
| <u>Liabilities</u> | | | | |
| Due to other funds | 16 82 | 15 334 14 | 15 294 70 | 56 26 |
| Due to others | <u>-</u> | <u>282 423 91</u> | <u>282 423 91</u> | <u>-</u> |
| Total Liabilities | <u>16 82</u> | <u>297 758 05</u> | <u>297 718 61</u> | <u>56 26</u> |

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

December 2, 2008

To the Township Board
Township of West Branch
Dickinson County, Michigan

We have audited the financial statements of the Township of West Branch for the year ended June 30, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of West Branch in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of West Branch
Dickinson County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

BUDGET VARIANCES

Actual expenditures have exceeded budgeted amounts in several activities. We recommend that the Township Board adopt and amend the budgets in compliance with state law.

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated June 30, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants